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CENTRAL INTELLIGENCE AGENCY

# INFORMATION REPORT

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COUNTRY : Germany (Soviet Zone)

DATE DISTR. 29 Dec 51

SUBJECT : Soviet Operation of the Leuna Plant

NO. OF PAGES 6

PLACE  
ACQUIRED

NO. OF ENCLS.  
(LISTED BELOW)

DATE  
ACQUIRED BY

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SUPPLEMENT TO  
REPORT NO.

DATE OF INFO

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1. The Soviets arrived at Leuna in July 1945 and immediately began putting the Leuna Plant, which had been idle since May 1945, on an operational basis. Former employees were offered food premiums as incentives to return to work and produce for the Soviet economy. The promise of food was a strong incentive, because the population was virtually starving. The largest food premiums were awarded to employees occupying prominent positions and those holding academic titles. The Leuna Plant actually resumed operations in the fall of 1945.
2. From the fall of 1945 until the summer of 1946, the Soviets studied production processes at Leuna and familiarized themselves with the machinery and other plant installations. The Soviets then hired 20 thousand workers to initiate the dismantling of specific portions of the plant. (Because of this sudden influx of personnel, Leuna today is still badly overstaffed, since the Soviets insisted that the working crews be retained after the dismantling was completed.) Both the olefin and heavy water plants were completely disassembled. The plant which produced super-concentrated nitric acid and highly concentrated hydrogen peroxide was also disassembled; in this particular case, the Soviets took the buildings which were fabricated from special steels, as well as all equipment and appurtenances. Of the 18 hydrogenation chambers at Leuna the Soviets shipped 12 to the USSR. The central power plant contained three separate installations of 100 atmosphere boilers, each installation consisting of 10 boilers. The Soviets dismantled 15 of the boilers, removing the newest and leaving the oldest intact. The Soviets also

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directed that five fully equipped laboratories, including drying ovens, photographic equipment, electrical indicating devices, and tensiometers, be assembled and shipped to the USSR. [REDACTED] Material Testing Laboratory was virtually stripped of test equipment, and most of the control and indicating devices were removed from the Plant Control Office. This operation nearly crippled the experimental and analytical laboratories, which have never fully recovered from the loss sustained by the removal of their equipment.

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3. The value of installations and equipment shipped from Leuna to the USSR was estimated to be DM 500 million. The material was crated in wooden boxes and prepared for rail shipment to the USSR. The Soviets did not want to repeat the errors committed in previous dismantling operations in Saxony, when unprotected equipment rusted while awaiting transport during the winter of 1945-46; they directed that all metal parts be coated with rust-inhibiting paint before being crated. A total of 15-16 thousand crates were prepared for shipment. One hundred of these crates were filled with technical literature, especially books on synthetics and production of higher alcohols, removed from the Leuna library. The heavy water personnel were not furnished literature from the Leuna library, but had to rely on British and US literature supplied them in the USSR. After all of the dismantled material had been crated, the crates were divided into four groups, on which I saw the following destinations stencilled: "Moscow I", "Moscow II", "Leningrad", and "Irkutsk". The heavy water plant equipment was sent to Irkutsk and the equipment from the Material Testing Laboratory was sent to Moscow I. Some crates were marked "Krasnoyarsk", but I do not know if these crates constituted a separate group. When the crates had been packed and were awaiting transportation, orders were received directing that the material be transferred to crates suitable for transport by sea. It was rumored that Soviet trains going through Poland had been sabotaged, and that the Soviets considered it safer to ship the dismantled equipment by sea, thus by-passing Poland. The crates were finally loaded onto open freight cars, taken by rail to Rostock on the Baltic Sea, and shipped by sea to the USSR.
4. The shipping inventories were prepared in quintuplicate; two copies were retained by the Soviets, one copy was put into the crate, and two copies were given the German administrative officials at Leuna. The Germans, however, were later forced to destroy their copies, thereby leaving no documentary evidence in Germany regarding the quantity or value of the equipment removed from Leuna. Although the Soviets exercised certain precautions in the removal of Leuna equipment, I do not believe that it was received in the USSR in good working order. The crating was performed in a hurried and haphazard fashion. Letters from Leuna scientists deported to the USSR described the deplorable condition in which the equipment arrived at its destination. An engineer at the Leuna Plant, who observed the dismantling operation, estimated that the Soviets would not be able to use more than 30% of the material. Personnel from the heavy water group in the Donetsk region reported that the laboratory materials were stacked in an open field for years.

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5. The dismantling operation in 1946 was supervised by officials representing Soviet ministries and under the direct jurisdiction of Moscow. A Soviet colonel, equal in rank but not subordinate to the General Manager of the Leuna Plant, directed the entire dismantling operation. Of the Soviet officials directing the work, [REDACTED] 25X1X GF following: (1) Lieutenant Colonel Neiditch, representative of the Ministry of Commerce; (2) Major Gudkin, directed dismantling of the Material Testing Equipment; (3) Major Savielski, supervised the dismantling of the Plant Workshop and was probably a representative of the Ministry of Commerce.
6. After the dismantling of Leuna had been completed, and after operations began, the Soviets incorporated the Leuna Plant into membership of the SAG (Soviet Aktiengesellschaft, Soviet joint stock holding company). The SAG is an industrial pool in Germany and represents the Soviet government; its headquarters are in Berlin-Weissensee. Leuna's absorption conformed to a pattern which was adhered to throughout the entire Soviet Zone. Plants and firms promising a sizable profit were taken over by the SAG; firms which needed subsidizing were nationalized and converted into people-owned enterprises (Volkseigen), which had to be carried on the budget of the Soviet Zone government. Firms which brought a small or unstable profit remained privately owned; however, if their profit seemed to increase or become stabilized, they were frequently expropriated.
7. As a member of the SAG, the Leuna Plant is part of the Soviet economy. It is not controlled by the Soviet Zone government nor has it any obligation thereto. Its profits do not benefit the plant itself nor can they be realized as assets of the Soviet Zone economy. The East German "People's Democracy" does not derive any direct income from Leuna in the form of taxes; for all practical purposes the plant is owned by the Soviet government, which leases it to the SAG. The SAG administers the plant and pays an annual rental to Moscow. This rental has greatly increased during the six years of Soviet occupation; it amounted to DM 18 million in 1946 and increased to DM 60 million for the fiscal year 1951. I believe that the increase in the cost of the lease is disproportionate to the increase in the plant's profit. Profits of the plant exceeding the annual rental are not credited to the plant, but are collected by the SAG because the plant is considered Soviet property. The SAG pays for the required raw materials, plant maintenance, and salaries. These expenses are budgeted at the beginning of each year and cannot be exceeded. If an emergency need for repairs or additional supplies arises during the course of the planned year, action is deferred until such items can be included in the budget of the next fiscal year. Operational stalemates frequently occur when such emergencies arise, since any transferral of funds appropriated for a specific operation is forbidden.

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8. The SAG representative directing Soviet administration at Leuna used to have the military title of colonel and the civilian title of General Manager (Generaldirektor). Only the first two administrative officials held these titles. (Colonel Villisov, from 1945-46; and Colonel Batmanov, from 1946-47). The Leuna administration chiefs were later designated Deputy General Manager (Stellvertretender Generaldirektor), and were as follows: Major Makarov, from 1947-50; and Matveyev, from 1950 to the present. The latter two men had chemical and technological training. There was no indication that a "General Manager" existed after 1947.
9. The SAG is also represented in the individual departments of the Leuna Plant. The representatives are generally professional scientists or technologists; their main task is to supervise the operations of the departments and to expedite the fulfillment of quotas established at the beginning of each year. As far as I know, the quotas are generally reached, but under extreme pressure; the difficulties are due to the lack of skilled personnel, raw materials, and proper machinery. Only the hydrogenation plant regularly surpasses its quota.
10. Although the General Management at Leuna is the direct representative of the SAG, its powers within the plant are somewhat limited. There are areas in the plant to which the General Management has no access and over which it has no jurisdiction.
  - (a) The entire Leuna power plant is a restricted area and entry is gained by special pass. It is supervised and guarded by the Soviets. The General Management is not authorized to direct the functions of the power plant. I do not know who actually supervises its operations, but Engineer Rowland told me that the General Management has no part in its administration.
  - (b) The Experimental Laboratory, operated and supervised by the Soviets, is not responsible to the General Management. The Soviets in charge of the Experimental Laboratory are scientists of equal rank, and experts in different fields. These scientists seem to represent either different ministries, or specific departments of one ministry, and are responsible directly to Moscow.
  - (c) The operations of the Business Department are independent of those of the General Management. General Management was not authorized to direct any purchases, sales or general handling of affairs.
    - (1) There is a German Business Office at Leuna which functions as intermediary between the Soviets and business connections outside of the Soviet Zone. If material is purchased outside of the Soviet Zone, the German Business Office acts as buyer, but the purchase of such materials must first be approved by the Soviet Business Department, which generally refuses, or substantially curtails, the request. When the request is granted, the German Business Office may proceed with the purchase. The Soviets frequently supplement their raw material supply by purchasing goods outside the Soviet Zone. For instance, in 1949 when Leuna needed turbine oil, the Soviets furnished 20 tons of DTE oil, (Western Germany mineral oil), which they had purchased and

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kept in storage. This oil proved to be a very poor investment; the Soviets, had in fact, bought scrap oil. (The Soviets have a tendency to buy the cheapest product on the market for Soviet Zone consumption.) Goods produced in the Soviet Zone can be bought directly by the German Business Department only if the purchase of the necessary materials is provided for in the annual budget. For example, Leuna was able to buy oil from Lützkendorf without special permission from the Soviet Business Department.

- (d) Production of items not provided for in the budget is possible only when the Soviets give a production order for their own use. Such orders, usually of military significance, are given to the Soviet General Management, who assigns them to the General Production Managers for action. These orders are financed directly by the Soviet government, and are administered by representatives of the Soviet ministries, who are not under the jurisdiction of the SAG. Theoretically, such special orders have no priority over planned production, but in reality, are handled as rush orders. Presumably, special orders were not to be filled until advance payment had been deposited at the plant. The Leuna Plant derives no benefits from the production of these Soviet orders.
11. I cannot make any definite statements regarding specific duties of Soviet personnel stationed at Leuna, because of  
(1) the short tenure of regularly assigned personnel, and  
(2) the large number of young trainees on temporary duty under instruction.
12. Price standards, established in 1944, fixed the selling prices for half-finished products sold to other plants; the price standard did not affect finished products sold to the consumer. The Leuna Plant was required to sell many half-finished products for less than the cost of production. For example, the selling price of methanol, established in 1944, was DM 0.36 per kg, but the cost of production was DM 0.65 per kg. In 1949, the Soviets allowed a slight increase in price, which, however, did not meet actual production cost. However, the plant as a whole realized a sizable annual profit as a result of the sale of a great volume of finished products, such as fertilizer.
13. The Soviets have advanced the delivery date of this year's quota from 1 Jan 52 to 1 Nov 51, and the 1951 repair budget was drastically reduced. It is my belief that the Soviets wish to derive as much quick profit as possible, and that they had planned to leave the East Zone of Germany during the fall of 1951. I do not know if the Soviets considered this move a political maneuver, or if they feared an attack from the West. I recall an incident which occurred in the late summer of 1951, and which excited speculation at Leuna regarding the

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political future. Sixteen new trucks, (Ford and Horch two-ton trucks), arrived at the Leuna Plant. They had been purchased in Switzerland through a Czechoslovakian purchasing agent; it was known at the plant that they had not been bought through the Leuna purchasing department. At the same time, approximately 10 buses arrived at the Leuna Plant, but I cannot describe them. It was rumored that the Russians had set up an evacuation plan; from casual remarks made by Head Engineer Reitzenstein, who was in charge of furnace tending at Leuna, I learned that he knew of such a plan. Shortly thereafter, Reitzenstein left Leuna, and is now in the West Zone of Germany, but I do not know his exact whereabouts.

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